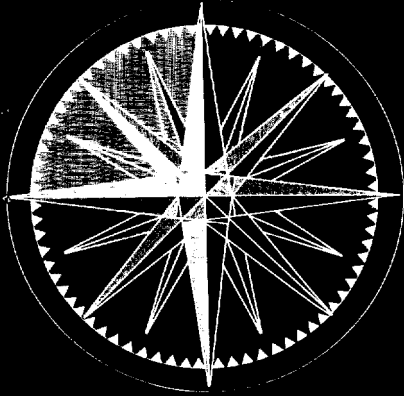


15 January 1965

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WEEKLY SUMMARY

State Dept.
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CENTRAL INTELLIGENCE AGENCY OFFICE OF CURRENT INTELLIGENCE

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(Information as of 1200 EST, 14 January 1965)

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The civilian government and the military have announced a detente in their struggle for authority. The problem of the armed forces' relations with the government remains unsettled, however, and the Buddhist hierarchy is pursuing its campaign against Premier Huong.

YEMENI REPUBLICAN REGIME FURTHER WEAKENED

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The new government formed in the wake of the mass resignation of republican ministers is led by the same pro-Egyptian figures who previously aroused sharp internal opposition. Cairo has recently allowed the republicans' military position to deteriorate.

MILITARY ACTIVITY SLACKENS IN THE CONGO

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Tshombé meanwhile has canceled his trip to Brussels.

EUROPE**DEVELOPMENTS ON EEC TIES WITH OUTSIDE COUNTRIES**

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The EEC is making some progress in dealing with requests for special trade or associative ties. Arrangements with Austria, Nigeria, and the Maghreb states (Tunisia, Morocco, and Algeria) are among the priority items now being discussed.

STALEMATE ON NATO NUCLEAR FORCE PROPOSALS

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There now seems to be little prospect for an early conference to discuss the MLF and related proposals, and interested countries doubt the usefulness of bilateral talks Britain is conducting on its Atlantic Nuclear Force scheme.

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UNCERTAINTY SURROUNDS GUATEMALA'S PRESIDENTIAL ELECTION

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The inability of the country's military rulers to agree on a single candidate may be feeding the ambitions of Chief of Government Peralta, whom the politicians suspect of deliberately fanning rivalries to weaken all opposition to himself.

MAJOR DISORDERS AVERTED IN PANAMA

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President Robles' position has been strengthened by the failure of student and labor leaders to incite large-scale incidents this week, but the extremists will be seeking new opportunities to make trouble for the US.

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SOVIET-AMERICAN RELATIONS: A TEMPERATURE READING

The present generally cool Soviet attitude toward the US --capped by Moscow's negative reaction to President Johnson's State of the Union message--appears to be prompted largely by the tactical considerations of the Sino-Soviet dispute and by the desire of the new Soviet leaders to strike a balanced and orthodox posture in their relations with the new US administration so long as key East-West issues are in a state of flux.

The new regime seems to be treading a middle course, avoiding both open confrontation and serious discussions of substantive issues. Its main intention appears to be to keep open lines of contact and exchange with the US and to continue efforts to reach agreements of a strictly bilateral nature, such as a civil air agreement.

In his initial interview with Ambassador Kohler, Soviet Premier Kosygin stressed the USSR's desire to continue efforts to improve relations. In a calculated step to prove this point, Soviet officials promptly moved to conclude negotiations on two long-standing bilateral questions. A desalination accord was signed on 18 November, and the special communications facility for the US Embassy was approved a week later.

The new Soviet leaders also put on a red-carpet reception for a group of US businessmen in late November and stressed their desire for the "normalization" of US-Soviet trade relations. While serious obstacles in this sphere remain, Soviet concern with the vital problems of long-term investment priorities and access to technology and equipment from advanced industrial countries will prompt Moscow to promote a favorable political atmosphere.

The December discussions between Foreign Minister Gromyko and Secretary Rusk underscored Moscow's reluctance to undertake any major foreign policy initiatives until the new leaders have consolidated their domestic position and assessed the views and policies of the new US administration.

The increased sharpness of Soviet propaganda has been highlighted by authoritative commentaries on 6 January in Izvestia and Pravda, which lashed out at US "claims to special rights" throughout the world and condemned US policies and actions in Southeast Asia, Africa, and Latin America. This line reinforces the view that Soviet leaders are intent on building up a "good record" on these issues in order to forestall Chinese allegations of Soviet cooperation with American

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The Communist World

"imperialists," especially in the period prior to the proposed 1 March meeting to prepare for a new world Communist conference.

This verbal harshness has been offset to some extent by statements of Soviet officials in Washington. They tried to play down suggestions that Moscow's reaction to the President's 4 January speech was "unusually harsh," and voiced optimism about the early opening of new consulates, conclusion of a civil air agreement, and expansion of trade.

These officials, however, reflected Moscow's increasing sensitivity on the question of Soviet relations with Eastern Europe. Referring to the President's speech, Soviet Ambassador Dobrynin remarked that the USSR was "disturbed" that references to improving US relations with Eastern Europe always took the form of "separating these countries from the Soviet Union." This line suggests that the new regime in Moscow realizes that the chances for instability and shifts in policy have increased in Eastern Europe in the wake of Khrushchev's ouster.

The USSR has also moved to discount prospects for an early US-Soviet summit meeting. Soviet officials expressed surprise at what they claimed were US press interpretations of the President's 4 January remarks as an "invitation" to Soviet leaders. They suggested that the new leaders could not "rush off" to Washington so soon after coming to power. Moscow is probably deferring high-level contacts until the US has completed its review of such crucial issues as MLF and the Indochina conflict and the President has made his visits to Western Europe and Latin America. In any event, Premier Kosygin and other Soviet leaders already have made commitments on meetings with foreign statesmen which extend into midsummer.

Over the longer term, the Soviet leaders probably have a real interest in direct contacts with President Johnson. They are likely, however, to propose that the President visit the USSR first to repay Khrushchev's trip to the US in 1959. They would regard a presidential visit as a valuable acknowledgment of the authority and legitimacy of the post-Khrushchev regime.

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The Communist World

SOVIET ATTITUDE TOWARD THE INDOCHINA CONFLICT

The USSR's increased concern over the possibility of escalation in the Indochina conflict has caused an upsurge in its propaganda and diplomatic attention to the subject since the end of November.

This effort coincided with Ambassador Taylor's consultations in Washington in late November and early December.

In this situation, the Russians have followed a familiar pattern of combining vague warnings of possible Soviet intervention in an expanded conflict with attempts to stimulate initiatives by other governments to arrange negotiations. Moscow clearly hopes that the mere existence of an international conference or some other kind of formal talks would reduce the risks of escalation.

Recent Soviet approaches to the French have reflected Moscow's judgment that Laos provides the only possible opening for negotiations at this point.

There are indications that the Soviets and Poles may be developing a scheme to force the reconvening of the 1962 conference on Laos next summer. In a talk with the US ambassador on 12 January, the Polish member of the International Control Commission in Laos noted that the Geneva protocol required the co-chairmen--the UK and USSR--to report to members of the conference by 23 July on the question of terminating the ICC. He advocated early termination and said that the co-chairmen's report would provide a logical occasion for reconvening the conference.

The Soviets may calculate that a deadlock between the co-chairmen over the ICC recommendations might increase pressure for a conference. They may also hope to exploit existing misgivings among the Indians and Canadians about their continued role in the ICC.

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The Communist World

SINO-SOVIET RESPONSE TO THE INDONESIAN UN WALKOUT

The Chinese Communists, eager to increase their influence in Indonesia and to encourage further anti-Western moves there, have vigorously endorsed Sukarno's decision to bolt the UN. The Soviets do not approve the action, but the need to protect their political stake has apparently forestalled heavy pressure on Indonesia.

The Sukarno ultimatum on 31 December threatening to leave the UN if Malaysia were seated in the Security Council appears to have taken the Chinese by surprise. Although Peiping has been encouraging the Indonesians to press the "confrontation" with Malaysia, Sukarno's latest maneuver probably went further than the Chinese expected.

Peiping's first public response was a broadcast on 3 January--under a Djakarta date-line--reporting that Chairman Aidit of the Indonesian Communist Party had given his full support to the decision. The first Chinese commentary, an editorial in People's Daily three days later, came only after it had become evident that the Indonesians did not intend to back off. The current Chinese propaganda drive did not get rolling until 9 January, two days after Sukarno's public announcement that Indonesia had withdrawn from the UN.

Since then it has developed into a major campaign designed to stiffen Djakarta's resolve and generate additional problems for the US. The Chinese have launched an attack of unprecedented violence on the UN as a "tool of US imperialism" and called for fundamental reorganization of the international body. Their formal statements and press coverage of events pander to Sukarno's vanity by quoting extensively from his speeches and lauding his "bold revolutionary action."

Despite the violence of Peiping's propaganda, the Chinese are displaying notable caution in their treatment of the fight to "crush" Malaysia--which lies at the root of Djakarta's decision to pull out of the UN. Although the Chinese Government statement of 10 January charges that Malaysia is a "dagger thrust in the heart of Southeast Asia," Peiping has carefully avoided any new public commitment of support for eliminating the "imperialist" menace. Chen Yi referred to Malaysia as a "springboard for aggression" in a speech on 11 January, but he stressed Chinese confidence that the "united Indonesian people" would triumph in the end. Liu Shao-chi, in his remarks to an Indonesian friendship delegation the following day, applauded Djakarta's "self-reliance" but did not go beyond

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a declaration that Peiping would be honored if it could make "some contributions" to the cause.

This caution suggests that while Peiping is trying to strengthen its ties with Djakarta--looking ahead to closer cooperation at the Afro-Asian conference next spring--and attempting to increase the strain on Indonesian relations with the Soviet Union, the Chinese wish to avoid any major military escalation in the "confrontation" at this time and prefer to keep it as a running sore which adds to general tension in the area.

Sukarno's sudden move has placed the USSR in a difficult position and the Soviets have indicated their displeasure to the Indonesians. In contrast to Peiping's strong endorsement of Sukarno's action, Moscow has merely reported it. This treatment is calculated not only to underline expressions of disapproval by the Soviet ambassador in Djakarta and the Soviet UN delegation; it also reflects Moscow's desire to avoid being isolated from the vast majority of Afro-Asian governments which

have criticized Sukarno's action.

Despite their obvious displeasure, the Soviets have no choice but to protect their great investment in Indonesia.

[REDACTED] Soviet propaganda continues to assert Soviet support for the Indonesian people and to draw attention to the modern arms supplied by the USSR.

Over the longer term, however, the Soviets probably are genuinely concerned that Sukarno's impulsive action will give Peiping and the pro-Chinese Indonesian Communist Party (PKI) greater leverage in Djakarta. In recent months, the Soviets have made clear to Sukarno their dissatisfaction with the PKI's growing influence over Indonesian policy. They must fear a struggle for power between the PKI and the Indonesian armed forces when Sukarno's failing health removes him from the scene--a prospect which would confront the USSR with very awkward and dangerous decisions.

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Asia-Africa

POLITICAL CRISIS EASES IN SOUTH VIETNAM

The sense of political crisis in Saigon has eased as a result of a joint communiqué issued on 9 January by the government and military, announcing a detente in their conflict of authority. Premier Huong also moved to clear the atmosphere in relations with the US by issuing a statement on 12 January pointing out that the US had not sought to impose any particular formula on Vietnamese authorities for settling the recent crisis, and declaring that relations remain cordial as in the past.

Both the government and the military, however, are aware that their detente has not really settled the issue of the relationship between the armed forces and civilian authorities. General Khanh has left no doubt that he and the "young Turk" generals consider themselves the real power in the country, and intend to exert political influence in the future. The government, by focusing interest on early National Assembly elections, is attempting to draw attention away from an armed forces plan to exercise a watch-dog function. Huong has apparently succeeded in getting the military to consider filling some posts in a pending cabinet reshuffle, a switch in the earlier military attitude of remaining apart from the government.

The detente has already provoked an angry reaction from

the Buddhist hierarchy, which remains determined to force Huong's removal as premier. The Buddhists have taken no open action this week in Saigon, but have obviously encouraged a new rash of student agitation against Huong in several northern cities. Some of the "young Turk" generals have shown some sympathy for the position of the Buddhists and students. The generals, including Khanh, may harbor ideas of using Buddhist support as a base for their political ambitions. Buddhist leaders have shown some interest in the armed forces, watch-dog proposal, which would set up a military-civilian committee to exert influence on the government.

Although no large-scale military actions were reported during the past week, there are indications that the large Viet Cong force which conducted sustained operations around Binh Gia in Phuoc Tuy Province is still in the general area. The mortar shelling of 14 district capitals south of Saigon during the past week, and a marked increase in harassing actions in the Capital Military District around Saigon, indicate that the Communists are stepping up a campaign to reap political and psychological benefits by demonstrating their military strength in densely populated areas.

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Asia-Africa

YEMENI REPUBLICAN REGIME FURTHER WEAKENED

Egypt has apparently rejected the opportunity offered by the mass resignation last month of the Yemeni republican cabinet to change its relationship with the republicans. The new Yemeni Government which was formed last week is dominated by the familiar pro-Egyptian elements which have previously aroused sharp internal opposition. At the same time, Egypt has allowed the republican military position in northern Yemen to disintegrate.

The new government, led once more by President Sallal, has former vice president Hasan

al-Amri as premier as well as several other pro-Egyptian ministers. Several of the "rebel" republican ministers have been given portfolios, but it is not clear whether they have in fact accepted them. A threat of trial for treason has led many former cabinet ministers to leave the capital and seek the safety of their tribes.

The recent Arab prime minister's conference made no statement on the failure of the Yemeni cease-fire after Saudi Arabia assured the conference that bilateral discussions on a settlement were still in progress.

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Asia-Africa

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MILITARY ACTIVITY SLACKENS IN THE CONGO

Little military activity occurred last week in the Congo, but there have been further reports that sizable groups of rebels now are receiving training in neighboring countries.

During the lull in the fighting, a barge convoy--stalled for over a month at Bumba, 260 miles downriver--finally reached Stanleyville with food and other supplies. On 10 January, the Stanleyville garrison fought off several small rebel raids.

Government forces at Paulis and Bunia--near the Ugandan border--have been reinforced with troops and equipment for a major offensive which is planned against the Congolese border towns of Aba and Aru. These towns are the principal entry points for arms to the rebels.

In the east, rebels continue to harass government troops in Uvira. South of Uvira, the rebels attacked government detachments 75 miles below Fizi. The rebel force in this area--probably supplied by arms carried across Lake Tanganyika--has failed so far to drive government troops from their positions.

Arms shipments to the rebels continue.

No foreign "volunteers" have yet been seen with the insurgents, however.

If southern Sudanese dissidents step up harassment activities, Khartoum might press Egypt and Algeria to find another route for their shipments.

The capabilities of the southern Sudanese are uncertain, but in any event the deteriorating Sudanese internal situation could well complicate matters in the northeastern Congo border area.

Belgium's plans to assist the Congo remain stalled, pending the outcome of talks between Congolese and Belgian officials. At stake in these meetings are unresolved financial questions from pre-independence days, as well as the Congolese decree of last November expropriating mineral rights held by Belgian mining companies. This week, Premier Tshombé canceled his meeting with Belgian Foreign Minister Spaak, ostensibly because Spaak received former Congolese premier Adoula.

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Europe

DEVELOPMENTS ON EEC TIES WITH OUTSIDE COUNTRIES

The EEC is making some progress in dealing with requests for special trade or associative ties. Arrangements with Austria, Nigeria, and the Maghreb states (Tunisia, Morocco, and Algeria) are among the priority items now being discussed.

Although no early decision on Austria's three-year-old request for Common Market ties appears in sight, recent community discussions may have narrowed the issue to a choice between a customs-union and a free-trade-area type of association. The possibility of a simple preferential trade agreement remains open, but only Italy still inclines toward such a solution.

West Germany and France favor the tighter integration implied in a customs-union link, but France's position may eventually depend on whether it wishes to risk stirring up strong Soviet opposition. The USSR still declares that Austrian participation in the EEC would violate Vienna's neutrality commitment. The Netherlands strongly advocates Austria's retention of ties with the European Free Trade Area (EFTA) and thus favors according it only a free-trade-area type of association. The Dutch argue that if dual membership were allowed Austria within a customs-union formula, the institutional nature of the EEC could be jeopardized.

The EEC Council of Ministers will try again this month to reach agreement on the objectives of negotiations with Nigeria, one third of whose trade is with the EEC. Nigeria wants the same treatment for its exports the EEC gives the 18 associated African states, but is willing not to press for the aid, financial, and other advantages which the EEC now grants these former colonies--mainly of France. Last month Lagos sent a delegation to several of these states to convince them that Nigerian association with the EEC would not harm their interests, an endeavor which could undercut the French argument that acceptance of Nigeria would adversely affect Paris' African protégés.

Paris, moreover, insists that any eventual agreement contain preferences in the Nigerian market for EEC exports. Such a condition--thus far opposed in the Council by the other five EEC members--would strain Nigeria's Commonwealth ties, hurt both UK and US exports, and almost certainly force the US and the UK openly to oppose. Thus, the onus for blocking Nigeria's ties to the EEC would be removed from France. On the other hand, US acceptance of a Nigerian offer of similar preferences could then be used to discredit the general US position of opposition to preferential arrangements--favored by France--outside the framework of established trade blocs.

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Europe

During the first quarter of 1965 the EEC Council is expected to approve a negotiating mandate defining the scope of an eventual EEC-Maghreb relationship. In its most recent exploratory talks with the EEC Commission, Algeria apparently showed greater eagerness than before in defining its position and thus has probably facilitated a uniform EEC approach to all three North African states. Algeria's interest in coming to terms with the EEC may have been partially motivated by reminders from the French and the Commission that its present privileged position

with respect to the Community cannot be continued indefinitely.

If formal negotiations open, however, the demands of the Maghreb states for favorable treatment of their citrus fruit exports will be a delicate political problem for the EEC. Such preferences would conflict with existing trade commitments within the Six as well as with the interests of the Mediterranean countries--such as Greece and Israel--with which the Common Market has either association agreements or special trade relations.

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STALEMATE ON NATO NUCLEAR FORCE PROPOSALS

There now seems to be little prospect of an early conference to discuss the Atlantic Nuclear Force (ANF), multilateral nuclear force (MLF), and related proposals. The idea of such a meeting was tentatively accepted by five NATO members--the UK, the US, Italy, West Germany, and the Netherlands--during the NATO ministerial meeting in Paris in December. The UK, interested in a broader forum, subsequently proposed, however, that there be instead a full-dress NATO Council meeting. No agreement on the British suggestion has been forthcoming, largely because of prevailing reluctance to risk a clash with France--almost a certainty if nuclear force plans are discussed in the NATO framework.

Interested countries doubt the usefulness of bilateral ne-

gotiations on the ANF which now are taking place under Britain's leadership. They feel that, in the absence of a US initiative, no one in Europe will go to bat for the MLF, while bilateral talks between the UK and non-nuclear powers can really decide nothing. Under the circumstances, the nonnuclear powers might turn to France for nuclear leadership.

The visit of Prime Minister Wilson to Bonn on 22 January for further talks on the ANF with Chancellor Erhard is not expected to overcome West German objections to Britain's proposals. Something closer to a common position between London and Bonn would appear to be prerequisite to any further progress on a NATO nuclear force.

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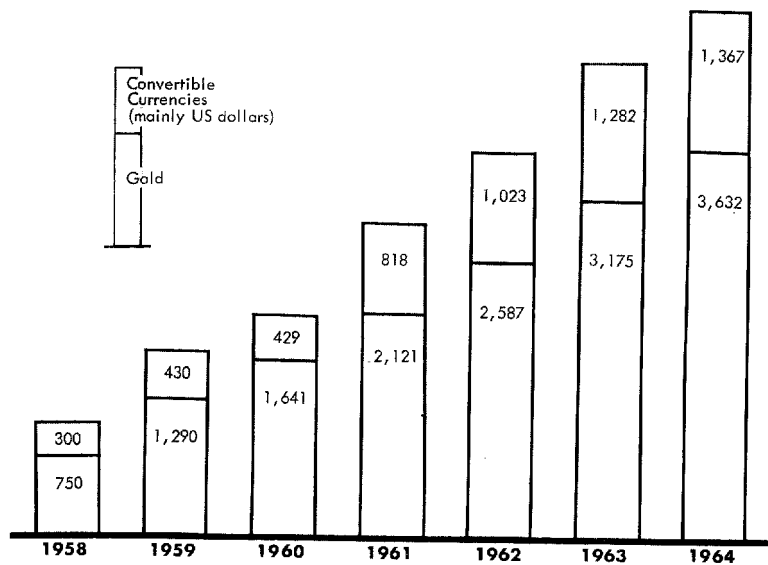
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FRENCH HOLDINGS IN GOLD AND CONVERTIBLE CURRENCIES
(MILLIONS OF US DOLLARS)



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Europe

FRENCH CONVERTING DOLLAR HOLDINGS INTO GOLD

France's decision last week to convert \$150 million of its dollar holdings into gold was dictated only partly by economic and financial considerations. The absence of any pressing need at this time for gold purchases of this magnitude suggests that the decision was motivated by De Gaulle's hostility to "US economic hegemony" and his concern to make Europe independent of foreign influence in all spheres.

The French nevertheless have stressed the economic and financial aspects of the move. They insist that, in view of the continuing US balance-of-payments strain and the recent sterling crisis, they must protect themselves against the possible devaluation of the dollar. Under these circumstances they profess the need to maintain at least 75 percent of their reserves in gold.

It is expected that Paris will continue to keep its dollar holdings above the billion mark, which would provide for a working balance and also cover certain dollar debts to the US and Canada. The expected large inflow of US dollars in 1965, however, could lead to French gold purchases of some \$800-900 million.

Recently the issue of French gold conversions has been explicitly linked to the question of US investments in Europe. Paris is unofficially

taking the line that France's holding of large dollar balances has helped to finance the take-over by American companies of significant sectors of the French economy. The French probably hope their demand for gold will force the US to reassess its ability to sustain further capital outflows to finance investments abroad.

France probably also hopes that increased conversions, which point up the vulnerability of the dollar, will promote support for the international currency reforms which the French proposed in September. Their proposals have been criticized because they reduce rather than expand international liquidity, but there is widespread sympathy with reform measures which would diminish the key role of the dollar and the pound in international finance.

French Finance Minister Giscard d'Estaing, in the first public statement by any French official on the conversion, insisted that the French acted for "technical" reasons but acknowledged that the move had "political effects." The French have made clear, however, that they are interested in lessening US economic prestige and influence in Europe, and economic differences between the two countries are expected to be a major issue in US-French relations in 1965.

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Europe

WEST GERMANY PONDERES NEXT UNIFICATION MOVE

West German Government leaders seem anxious to push ahead on the unification issue despite the failure of the Western Allies to reciprocate Bonn's enthusiasm for a prompt bid to the new regime in Moscow. At the same time, the Erhard administration apparently wishes to avoid antagonizing Germany's closest friends.

Meeting in West Berlin on 13 January, the cabinet decided to continue to press for the formation of a four-power council, made up of the US, the UK, France, and the USSR, with power to determine how to continue efforts toward the reunification of Germany. Bonn first proposed such a procedural initiative at the mid-December NATO Council meeting in Paris, but failed at that time to get public endorsement for it from the Western Allies.

Following a cabinet meeting on 5 January, an official spokesman also noted that Bonn's August 1963 plan was still on the table. This proposal called for creation of a body of the wartime "big four" under whose auspices East and West German commissions would prepare the ground for unification. The spokesman shied away from calling his government's position an initiative, preferring to term it "an active policy."

Chancellor Erhard is expected to make known his

wish to get moving on unification when he meets with De Gaulle on 19 and 20 January and with Wilson on 22 and 23 January. Erhard told a party rally on 12 January that Bonn would constantly explore with its allies the possibility for progress, but warned against expectations of immediate results.

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Europe

DE GAULLE AND ERHARD TO MEET NEXT WEEK IN PARIS

The De Gaulle - Erhard talks in Paris on 19 and 20 January are expected to deal with such complex topics as European political unity, German reunification, and Atlantic defense.

The lack of progress recently on the reunification issue and the MLF make Erhard all the more anxious for political gains in some other sphere--such as a renewal of French-German rapport--which could benefit his party in the national elections this year. He is expected therefore to try to play down such contentious issues as Western defense strategy, although he may feel obliged to bring the subject up while in Paris. De Gaulle in this case can be expected to make clear his commitment to the French nuclear program and the importance he attaches to his goal of making Europeans eventually responsible for their own defense.

On German unification also, Erhard may be disappointed. De Gaulle probably will support a united Germany in principle but will argue that his goal of an eventual pan-European structure is the only realistic approach to the long-term solution of Germany's, and Europe's, problems.

De Gaulle is likely to stress the prospects for evolution in Eastern Europe and point to France's increasing cultural and economic exchanges with the area as paving the way for an East-West European reconcilia-

tion. In the past, he has asserted that an autonomous Western Europe would contribute to undermining Soviet hegemony in Eastern Europe. In his speech in Strasbourg last November, he cited the Eastern Europeans' recovery of national self-determination as "the only means that can permit contemplating the rapprochement of all Europe."

The other key agenda item for the Erhard - De Gaulle talks --European political unity--would seem to offer greater opportunities for movement, such as the scheduling of further talks among the six EEC nations. Erhard expects De Gaulle to support a German initiative in this regard. The development of a close entente with Bonn remains the foundation of De Gaulle's design for Western Europe.

Moreover, in De Gaulle's view, the settlement last month of the EEC grain price issue and current German dissatisfaction with the US attitude toward the MLF and reunification have improved the prospects for considering European political, economic, and defense questions along Gaullist lines. During his talks with Erhard, he is likely to develop further his arguments for European "independence" and intra-European cooperation. Thus he may place heavy emphasis on the adverse effect of US direct investment on key sectors of the European economy.

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Europe

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In particular, De Gaulle will use the occasion to press his view that the crucial question is not whether, but how, Western Europe will become politically organized. He will argue that any proposals

providing for a supranational organization and Atlantic integration could lead to a Europe of US-dominated satellites which would in the long run prove less acceptable to both Western and Eastern Europeans than his scheme for an autonomous confederation. [REDACTED]

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GREEK PRIME MINISTER QUELLS POLITICAL MUTINY

The Greek political scene has been threatened with new squalls recently. Prime Minister Papandreou has moved rapidly and effectively, however, to end the rebellion which broke out within the ranks of his Center Union (EK) following a cabinet reshuffle on 6 January.

Some 13 EK deputies in Parliament had announced their intention to vote henceforth as independents, although remaining in the party. These deputies were supporters of left-of-center EK deputy Savvas Papapolitis, who had not been included among the new cabinet members. While the defections would have left Papandreou with the support of 158 of the 300 parliamentary deputies, there was some danger that other dissident elements within the EK might follow the lead of the rebels, thus threatening the government's majority.

Papandreou therefore publicly warned that unless the 13 defectors immediately repudiated their statement, he would resign. This would have forced new elections, and the rebels were also informed that they would be read out of the EK, making their re-election

highly unlikely. Papapolitis and his followers capitulated.

The cabinet reshuffle, involving four ministries, was largely routine, with the exception of the appointment of Elias Tsirimokos as minister of interior. Tsirimokos has a long history of collaboration with the extreme left, although recent reports have indicated that he may have moved slightly to the right. Along with Papapolitis, Tsirimokos was leader of a left-of-center dissident group of about 30 EK deputies who had been demanding greater representation in the government.

Tsirimokos' appointment and Papapolitis' humiliating defeat should temporarily mute criticism of the prime minister from the left-of-center members of the EK. Some of the EK's right wing, however, probably share the consternation expressed by the conservative opposition National Radical Union at the appointment of Tsirimokos. The police and gendarmerie were removed from the Interior Ministry's control last year, but the ministry continues to exercise authority over provincial administration. [REDACTED]

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BOLIVIAN JUNTA LEADER PREPARES TO BE ELECTED PRESIDENT

Bolivian Junta President Rene Barrientos, during one of his weekly trips to the provinces, declared that he would "consent" to be a compromise presidential candidate in the elections scheduled for 30 May. His recent casual remark to Ambassador Henderson--"I do not know what I should do about a vice-presidential candidate"--reveals that he takes his candidacy for granted.

Meanwhile, earlier indications that Barrientos would seek political support from centrist groups, as well as his own Popular Christian Movement (MPC) which was launched on 1 January, are being borne out. He claims to have the support of Hernan Siles' reorganized National Revolutionary Movement. He also seems to be interested in recruiting the Authentic Revolutionary Party, headed by Walter Guevara Arze.

Extremist parties--the rightist Bolivian Socialist Falange (FSB) and Juan Lechin's National Leftist Revolutionary Party (PRIN)--apparently will be excluded from the Barrientos bandwagon. Campaign tactics, however, include efforts to undercut these parties and to draw off some of their membership. In such a maneuver last

week, Barrientos heatedly attacked pro-Communist labor leader Lechin during a press conference but refrained from criticizing the PRIN.

Barrientos continues to believe that he can trust or use a number of persons with Communist backgrounds. Antonio Arguedas [redacted] has become one of his top campaign managers and was instrumental in organizing the MPC. Moreover, Ireneo Pimentel, a mine leader who has been known as pro-Communist, has received substantial payments from Barrientos to assure his cooperation in splitting mine unions which support Lechin. Pimentel and Lechin were both involved in the December 1963 crisis when miners held Americans hostage.

General Barrientos appears to be growing more self-assured and seems confident that he can compete successfully with the professional politicians. Apparently he is working well with the commander of the armed forces, General Ovando [redacted]

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BRAZILIAN MILITARY QUARREL CAUSES MINOR CRISIS

The 6 January resignation of Brigadier Marcio Souza e Mello as air minister--the second officer to leave this post within a four-week period--has again highlighted the sharp rivalry between Brazil's air force and navy over which service is to control embarked naval aviation activities. Interservice tensions over this issue are currently high and probably will subside only gradually, despite the 11 January assumption of the air minister's post by Air Marshal Eduardo Gomes, a widely respected, retired air force leader and former presidential candidate.

The latest flareup in the old controversy was touched off on 5 December, when air force personnel shot at and damaged a navy helicopter. A presidential review of the incident led to unofficial reports that Castello Branco had decided to give the navy a larger role in the aviation field, including the right to operate aircraft from the decks of Brazil's only aircraft carrier. As the result of such reports, the then air minister, Brigadier Nelson Wanderley, and his chief of staff resigned on 13 December. Mello was sworn in as the new air minister two days later.

Although there are differing accounts of the reasons for Mello's resignation, US Embassy officers in Brazil regard the move as a tactical maneuver to gain leverage for the air force

as the presidential decision on control of naval aviation approaches. President Castello Branco had planned earlier to resolve the issue by the turn of the year, but the emotionalism of the components involved evidently made a suspension of such plans advisable.

The President told the [redacted] in a 31 December conversation that he regarded the embarked-aviation issue as the thorniest problem facing him. He said that although its resolution one way or the other would not endanger his government's stability, he was reluctant to stir up the deep resentment of either service at a time when he needed united military support.

One prominent air force officer observed on 10 January that underlying the current outburst of emotions on this problem is concern over the administration's plans to press for the creation of a single, unified Ministry of Defense. Many air force and naval officers are believed to oppose such a move since they fear that the army--far and away the most powerful of Brazil's armed forces--would dominate the new ministry. On neither this problem nor the embarked-aviation issue, however, do divisions within the military appear sufficiently serious to affect either the basic loyalty of all three services to the government or their support of the Castello Branco administration. [redacted]

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VENEZUELAN GOVERNMENT PLACATES LEFTISTS

President Leoni of Venezuela is doggedly pursuing his course toward "national understanding" by relaxing pressure on the Communists and their allies. Since 22 December, Leoni has paroled or pardoned about 250 extremists jailed during the terrorist outbreak designed to prevent his election in December 1963. He has also commuted a few other prison sentences to exile at the prisoners' request.

If the leftists now keep their part of what appears to be a bargain, the Communist Party of Venezuela (PCV) will publicly withdraw its support from terrorist and guerrilla activities. The "soft-liners" of the Movement of the Revolutionary Left (MIR) will also adopt a peaceful attitude, leaving only hard-line extremists of the PCV and the MIR in the field as guerrillas or in the streets as terrorists.

The political secretary of Leoni's Democratic Action (AD) party said on 5 January that a series of measures leading to "national understanding" will be initiated when the PCV and the MIR agree to confine themselves to legal activities. The nature of the anticipated "national understanding" has not been defined by Leoni or any other government spokesmen, but the catch phrase presumably refers to the inclusion of the PCV

and the MIR in some sort of non-violent "loyal opposition."

Urban terrorism in 1964 was at a much lower level than in 1963. The most recent major act was the kidnaping of US Air Force Colonel Smolen in Caracas in October. However, sporadic activity by roving bands of guerrillas in the countryside has increased somewhat. Pipelines of US oil companies have been sabotaged, as have other isolated installations. Guerrilla raids on small villages have caused several deaths. The Venezuelan Army, with air force support, has maintained steady pressure on the guerrillas, encircling the infested areas and generally preventing major outbreaks. The security forces, however, have not been fully committed, apparently in preference to a strategy of restraint and attrition rather than obliteration.

On 7 January a radiobroadcast reported that the governor of the state of Falcon, in western Venezuela, had been told by the central government to "welcome all guerrillas who wished to return to a normal life, and to resolve their cases in the most convenient fashion as long as they put down their arms and adapt themselves to the constitutional system."

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UNCERTAINTY SURROUNDS GUATEMALA'S PRESIDENTIAL ELECTION

The inability of Guatemala's military rulers to unite behind a single presidential nominee may be feeding ambitions of Chief of Government Peralta to remain in power. In fact, some politicians are growing increasingly suspicious of Peralta's motives as the promised time for elections grows near with continued indecision on a candidate; they believe that Peralta may be deliberately fanning rivalries to weaken all opposition to himself.

The government has announced that presidential elections are to follow "shortly" after the scheduled promulgation of a new constitution on 15 March 1965. As several top military men have sought the official candidacy and as professional politicians have grown unhappier over their apparent exclusion, rivalries have become manifold and bitter. The parties which have provided Peralta's political support have expressed willingness to support Chief of Staff Miguel Angel Ponciano. Ponciano, however, has engaged in a power struggle with Peralta and is completely objectionable to him.

Peralta's position has been equivocal and provocative. He has continually professed to favor Minister of Finance Jorge Lucas Caballeros in the face of strong opposition from political and military elements.

[REDACTED] Sus-
picion is mounting that Peralta is in fact playing off the contending forces against each other so that he himself will emerge as the only one who can promise stability. There is growing evidence that he is intent on seeing the programs begun under his administration carried out, and that if he finds no candidate he can control, he may attempt to prolong his own tenure. Over the past few months Peralta has made progress in neutralizing his prime adversary, Ponciano, by shifts in key military posts designed to weaken Ponciano's position.

An open bid to stay in power would be almost certain to alienate those parties which have been giving Peralta support and would probably crystallize the latent dissent of those parties excluded from the coalition. Such a development could provide the mortar for unity among the political outs who have been kept weak by their internal squabbling. The inevitable plotting and tension that would accompany Peralta's loss of political support would provide a useful ambient for Guatemala's persistent and well-organized guerrillas and terrorists.

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MAJOR DISORDERS AVERTED IN PANAMA

The Panamanian National Guard's firm but restrained handling of repeated provocations by Communist-led students prevented major disorders during the first anniversary of the riots of 9-12 January 1964.

As a result President Robles' position has been strengthened. However he will continue

to face new challenges from disgruntled politicians and from Communists still titillated by the prospects open to them to cause trouble for the US in Panama. Extremist student and labor leaders now will be seeking new opportunities to restore the prestige they lost by failing to incite any large-scale incidents this week.

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